

Message Text

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PAGE 01 CASABL 00314 200837Z

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ACTION AF-18

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 FEA-02 INT-08 SCI-06 AID-20 EB-11 CIEP-02

TRSE-00 STR-08 OMB-01 CEA-02 COME-00 FRB-02 XMB-07

OPIC-12 LAB-06 SIL-01 SAM-01 DRC-01 /183 W

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R 191630Z APR 74

FM AMCONSUL CASABLANCA

TO SECSTATE WASHDC 2721

INFO AMEMBASSY RABAT

AMCONSUL TANGIER

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E.O. 11652: N/A

TAGS: EIND, ENRG, MO

SUBJECT: MOROCCANIZATION OF FOREIGN OIL COMPANIES

REF: A) RABAT 1627; B) RABAT 1473

1. FOLLOWING IS SUMMARY OUR CONVERSATIONS WITH LOCAL
MANAGER AMERICAN COMPANIES (MOBIL, ESSO, TEXACO) AFFECTED
BY GOM DAHIR PROMULGATED APRIL 17 (REFTELS) AND DECREETING
MOROCCANIZATION OF ALL FOREIGN OIL MARKETING COMPANIES IN
MOROCCO. AMERICAN COMPANIES HAVE ABOUT ONE THIRD OF MARKET
(MOBIL 18 PERCENT, TEXACO AND ESSO 7 PERCENT EACH).

2. WHILE TIME ELAPSED SINCE DAHIR TOO SHORT FOR PARENT
COMPANY REACTIONS, AND COMMENTS ARE SOLELY THOSE OF LOCAL
MANAGERS, THEY EXHIBIT LESS CONCERN WITH PRINCIPLE OF
50 PERCENT NATIONALIZATION THAN WITH SPECIFICS OF SETTLEMENT
AND SUBSEQUENT OPERATION. BOTH ESSO AND TEXACO ARE IN
SHARED-OWNERSHIP ARRANGEMENTS ELSEWHERE, THOUGH MOBIL
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PAGE 02 CASABL 00314 200837Z

SAYS IT DOES NOT HAVE GOVERNMENT PARTNER IN ANY COUNTRY.

3. BIGGEST PROBLEM ARISES FROM ISSUE NOT MENTIONED IN DAHIR, MINISTRY OF MINES DIRECTIVE ORDERING REVALUATION OF COMPANY STOCKS RETROACTIVE TO JANUARY 1 (COMPANIES MAINTAIN 2 MONTH "SECURITY" STOCK BY GOM ORDER). GOVERNMENT-CONTROLLED OIL PRICES ARE MADE UP OF SUPPLY PRICE (EX-REFINERY PRICE PAID TO SAMIR), FIXED MARGIN TO COVER COSTS AND PROFIT, PLUS EXCISE PAID TO CAISSE DE COMPENSATION. MINISTRY DECREE REQUIRED REVALUATIONS OF SECURITY STOCK TO 3.8 TIMES PREVIOUS PRICE (ACTUALLY PAID) OF EX-REFINERY COMPONENT WITH RESULTING WINDFALL TO BE PAID TO CAISSE. COMPANIES TOLD INFORMALLY THAT NEW SNPP WILL ASSUME THIS OBLIGATION, WITH AMOUNT APPLIED AGAINST COMPENSATION DUE OIL COMPANIES FOR 50 PERCENT NATIONALIZATION. SINCE THIS ESSENTIALLY BOOKKEEPING TRANSACTION AND AMOUNT INVOLVED (ABOUT \$25-30 MILLION) CLOSE TO ACTUAL COST OF ACQUIRING 50 PERCENT (DEPENDING ON HOW COMPANIES' WORTH EVALUATED) THIS IS TANTAMOUNT TO EXPROPRIATION. WHILE RECOGNIZING DIFFICULTY OF DOING SO, PRATHER (TEXACO) RAISES QUESTION OF INVOKING HICKENLOOPER AMENDMENT, WHICH HE WILL ADDRESS TO AMBASSADOR. HE ALSO SAYS REVALUATION ORDER WAS FIRST GIVEN ORALLY BY MINISTER OF MINES WHO, WHEN ASKED FOR FORMAL DIRECTIVE, SENT LETTER SAYING THIS WAS "POSITION OF MINISTRY." COMPANIES THEREFORE DO NOT CONSIDER THIS OFFICIAL GOM ORDER, ARE NOT COMPLYING AND WAITING FOR GOM TO INITIATE FURTHER DISCUSSION.

4. OTHER IMPORTANT AND PREDICTABLE QUESTIONS RAISED BY COMPANY REPS TO WHICH GOM ANSWERS NEEDED ARE: BASIS FOR COMPENSATION (ORIGINAL INVESTMENT CALCULATED AT \$25-40 MILLION, NET WORTH \$60-70 MILLION FOR ALL FOREIGN COMPANIES); REPATRIATION OF PROCEEDS; ROYALTIES AND SIMILAR SPECIAL PAYMENTS; PROFITS - NEW (REVALUED) COST OF STOCKS INCREASES INVENTORY COSTS, AND PROFITS ALREADY ALLEGEDLY LOW OR NON-EXISTENT, DUE TO COMPETITIVE DISCOUNTING IN MARKET. COMPANIES BEING REQUIRED TO PRODUCE P&L STATEMENT BY MAY 31. COMPANIES ALSO CONCERNED ABOUT RETAINING OPERATIONAL MANAGEMENT CONTROL, SINCE CHAIRMEN AND MAJORITY OF EACH BOARD WILL BE MOROCCAN.

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PAGE 03 CASABL 00314 200837Z

5. COMPANY REPS FIRST LEARNED OF GOM PLAN VIA RUMORS AND NEWS STORIES SEVERAL WEEKS AGO, OFFICIALLY INFORMED WHEN CONVOKED BY FINMIN GHESSOUS AND ECON ADVISER TO PRIMIN BELHAYAT APRIL 10. GHESSOUS OUTLINED DAHIR AND PLAN WITH LITTLE COMMENT AND LITTLE OPPORTUNITY FOR QUESTIONS. SHELL REP, AS INDUSTRY SPOKESMAN, RAISED REVALUATION QUESTION BUT GOT NO ANSWER. THUS COMPANIES ANTICIPATE NEED FOR CONSIDERABLE FURTHER DISCUSSION AND NEGOTIATION WITH GOM. SOME SPECULATION

THAT GHESSOUS AND OTHERS NOT ENTHUSIASTIC ABOUT MEASURE AND ITS TIMING, THAT BELKHAYAT IS MOVING SPIRIT BEHIND PROJECT. COMPANY REPS, WHILE PREDICTABLY DISGRUNTLED, ARE WAITING FOR FURTHER CLARIFICATIONS BY GOM AND REACTIONS BY PARENT COMPANIES. THEY FEEL THEY HAVE LITTLE LEVERAGE, THAT GOM PROBABLY CONFIDENT IT CAN, IF NECESSARY, TAKE OVER AND OPERATE MARKETING BUSINESS, THAT THEY HAVE NO SPECIAL INDUCEMENTS (TRADE NAMES, PREFERRED ACCESS TO CRUDE SUPPLIERS, ETC.) TO STRENGTHEN THEIR CASE. GENERALLY FEEL THAT VALUE AND PROFITABILITY OF MOROCCAN SUBSIDIARIES NOT ENOUGH TO WARRANT PARENT DIVERSION OF SUPPLY TO MOROCCO FROM OTHER MARKETS OR HANGING ON IN DIFFICULT OR MORE COSTLY OPERATION. WE DON'T KNOW ENOUGH, HOWEVER, ABOUT REAL PLUSSES AND MINUSES OF THEIR BUSINESS HERE TO PREDICT HOW MUCH INDUCEMENT THEY HAVE TO STAY AND ADJUST. WE SUSPECT REVALUATION ISSUE MAY BE CRUCIAL DETERMINANT.

6. WILL REPORT FURTHER AFTER AMBASSADOR NEUMANN MEETS WITH COMPANY REPS HERE APRIL 20. FULL DETAILS OF CONVERSATIONS WITH COMPANY REPS BEING POUCHED AS MEMCONS.
BRUBECK

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